IMPACT OF FINANCIAL INCLUSION ON SOCIO-ECONOMIC CONDITIONS OF RURAL HOUSEHOLDS: A CASE STUDY OF KODAGU DISTRICT

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1. Introduction

The concept of financial inclusion has become an important policy agenda of central banks, policymakers and government in both developed and emerging economies for sustainable long-term economic growth and poverty alleviation (Chakravarty-2016). Financial inclusion is the delivery of banking services to masses including privileged and disadvantaged people at affordable terms and conditions. It helps to reduce the gap between rich and poor people. In the current scenario, financial institutions are the strong pillars of inclusive growth and sustainable development of the country. The main aim of financial inclusion is to make easy accessibility of financial services to the underprivileged population of the country.

Even after 75 years of independence, banking facilities have not reached the entire rural and unprivileged sector of society. This led to the financial gap and instability among the rural people. To overcome this problem the Government of India and the Reserve Bank of India (RBI) have taken various initiatives for financial inclusion. Based on this, the measures initiated by the RBI, such as Self Help Groups (SHG) Bank-linkage programs, Micro Finance (MF), use of Business Facilitators and Business Correspondents (BF&BC), Know Your Customer (KYC) norms, Digital banking, Opening customer service and Credit counseling centers, Automated Teller Machine (ATM) and Opening of No-frill accounts. On the other hand, measures taken by the Government of India which includes, Kisan Credit Cards, Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti BimaYojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Sukanya Samridhi Yojana (SSY). These programs were framed with the objective of employment generation, asset creation, and income increase which would help in the uplift of the poor people (Yadav, 2016). About 2.9 billion people around the world do not have access to formal sources of banking and financial services. In India alone, 560 million people are excluded from formal sources of finance, as against 41.6 percent (457 million) of the population that still lives below the poverty line, 59 percent of the adult population in urban areas has at least one bank account that means 41 percent population in an urban area does not have an account (RBI Report, 2008). So that expanding banking networks are needed in unbanked areas to ensure microfinance and financial literacy to the underprivileged population to improve their overall well-being. In this background, the present study has undertaken to examine "Impact of Financial Inclusion on Socio-Economic Conditions of Rural Households: A Case Study of Kodagu District".

1.1: Background of the study

The history of financial inclusion started with the microfinance movement in 1969, which aimed to provide small loans to low-income individuals and entrepreneurs. Later on, this concept has developed by the government, financial institutions, and non-profit organizations. Consequently, it was popularized after the nationalization of commercial banks from 1969 to 1980. Afterward, the RBI set up the Committee on the Financial System in 1982 (Popularly known as the Narasimham Committee), which made several recommendations aimed at strengthening the banking sector and promoting financial inclusion.

After that, the Reserve Bank of India set up a khan commission in 2004 to look into financial inclusion, and the term financial inclusion was used for the first time in April 2005 in the annual policy statement presented by Y.Venugopal Reddy (21st governor, Reserve Bank of India) Later on, the Reserve Bank of India (RBI) highlighted its significance in the annual statement of 2005-2006. More recently, the Indian government launched several new initiatives aimed at promoting financial inclusion, including the establishment of a national payment system and the launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme in 2014. This aims to provide basic banking services to every household in India and is also one of the most successful financial inclusion programs. As the economic survey 2021 indicated, over 430 million bank accounts have been opened under this scheme and 1.2 trillion rupees have been deposited. Therefore, financial inclusion remains an important issue to expand financial services with the support of governments and RBI.

1.2: Meaning of financial inclusion

Financial inclusion refers to the effort to provide individuals and businesses with access to affordable and appropriate financial products and services. This includes access to savings, credits, insurance, and payment systems. It aims to ensure financial services to people from all segments of society, including those who are traditionally underserved, has the opportunity to participate in the formal financial system and are not excluded from the benefits that financial services can provide.

Financial Inclusion defines as "a state in which all people who can use financial services have access to a full suite of quality financial services, conveniently provided at affordable prices with respect and dignity". C. Rangarajan defined it as "the process of ensure admittance to financial services and appropriate and sufficient credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost".

According to Chakrabarty "Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low-income groups at an affordable cost fairly and transparently by mainstream institutional players".

1.3: Measurements of financial inclusion

Financial inclusion refers to the provision of affordable, accessible, and utilization of financial services, such as banking, credit, savings, insurance, and investment, to all segments of society, including low-income groups, women, and marginalized communities. Therefore, financial inclusion can be determined by following four factors such as availability, accessibility, affordability, and utilization of financial services. Firstly, the availability of financial services such as savings accounts, loans, savings, insurance, and payment systems. It is often determined by the regulatory environment, economic development, and the level of financial infrastructure. Secondly, Accessibility of financial services it refers to the ease access of to financial services. It is determined by factors such as geographic location, transportation infrastructure, Mobile banking, online payment systems, and digital wallets are examples of technologies that can improve accessibility.

Thirdly, Affordability of financial services refers to the cost of accessing and using financial products and services. Affordability is a critical component of financial inclusion, as high costs can prevent low-income households and marginalized groups from accessing and utilizing financial services. Fourthly, Utilization of financial services it mainly influenced by factors such as financial literacy, trust in financial institutions, and attitude toward savings and borrowings. For example, individuals who have lack of financial literacy may not understand how to use financial services so it creates mistrust in financial institutions to use banking services. With this background, the government and the banking sector can work together to develop policies and programs that make financial services more affordable and accessible to all members of society, including those who are underserved or excluded from formal banking services.

1.4: Financial Inclusion in India

Financial inclusion is an action taken by the banking sector to ensure account, loan, saving, insurance, and payment services at an affordable cost to all individuals in society. This includes populations that have been traditionally excluded from formal banking services such as low-income households, rural communities, women, and marginal farmers. The goal of financial inclusion is to promote economic development, reduce poverty, and increase social mobility by

allowing managing their finances, build their assets, and invest in their future. Also, the government of India has been introducing several schemes for financial inclusion. Presently, 142.5 crore people in India are spread across 28 states and 8 union territories. It includes 766 districts and 6,40,000 villages. Under that 80.00 percent of people availed formal banking services and the remaining 20 percent (190 million) are still excluded from financial services and they face the problem of lack of accessibility of banking services such as savings accounts, credit, remittances and payment, financial counseling, etc. Consequently, they depended on the informal sector for financial requirements. In order to solve this problem banking sector has taken several initiatives. The RBI report in 2020 revealed that around 14.74 commercial bank branches per lakh (1.00.000) adults and 14.21 commercial bank branches per lakh (1.00.000) adults in 2016. However, 34 private and public banks were licensed in 2017 with 54.5 percent of the loans and 59.7 percent of the deposits but the number of public banks decreased due to merging activities and nearly 96,000 urban and rural cooperative banks and 1,17,200 branches of scheduled commercial banks are working in India (Manya Rathore, 2022).

According to the financial inclusion index (FII), Goa and Kerala became the first states in India to achieve 100 percent financial inclusion under Pradhan Mantri Jan Dhan Yojana also Tamil Nadu, Himachal Pradesh, Andra Pradesh, Punjab, West Bengal, and Karnataka achieved 89.3 percent of financial inclusion. Apart from this, states like Bihar (58.7%), Rajasthan (75.3%), Jharkhand (65.4%), Madhya Pradesh (61.9%), and Chhattisgarh (29.3%) have scored low ranked in financial inclusion.

The government of India has introduced various schemes of financial inclusion such as Pradhan Mantri Jan Dhan Yojana (PMJDY), Atal Pension Yojana (APY), Pradhan Mantri Vaya Vandana Yojana (PMVVY), Stand up India Scheme, Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Sukanya Samriddhi Yojana and Jeevan Suraksha Bandhan Yojana. All these programs helped to increase financial inclusion by providing financial services to individuals who are excluded from the formal financial sector.

1.5: Financial Inclusion in Karnataka

Financial inclusion is the process of providing access to financial services to individuals who are typically excluded from the formal financial system. In Karnataka, efforts have been made by the government and various banks to improve access to financial services for marginalized sections.

Apart from PMJDY, the Karnataka government has also implemented various other initiatives to

increase financial inclusion in the state. For instance, the government of Karnataka has set up various financial institutions such as Karnataka State Finance Corporation (KSFC), Karnataka State Industrial Investment and Development Corporation (KSIIDC), and Karnataka State Small Industries Development Corporation (KSSIDC) to provide credit to small and medium enterprises. With this background, Karnataka state has ranked ninth place in terms of financial inclusion and 89.3 percent of rural households avail of banking services (RBI report, 2022). According to State Level Bankers Committee (SLBC), 61 percent of rural households in urban and 39 percent of people in rural accessed formal banking networks. Also, districts like Udupi (99%), Dakshina Kannada (93%), Bangalore Urban, Mysore (87%), Shivmogga (86%), Chikmagalur (82%), and Hassan (81%) states are top performers in financial inclusion besides Yadgir (39%) and Gulbarga (38%) states are bottom in financial inclusion.

Additionally, various non-governmental organizations (NGOs) and microfinance institutions (MFIs) have also been working towards increasing financial inclusion in the state. These organizations provide financial literacy programs, credit, and other financial services to individuals in both rural and urban areas who have limited access to formal financial institutions. However, despite these initiatives, financial inclusion in Karnataka is still a work in progress, with many individuals and communities also facing significant barriers to accessing financial services. Some of the challenges include a lack of awareness of financial products and services, a lack of trust in formal financial institutions, and inadequate infrastructure in rural areas. So that to solve these problems banks plays an important role in financial inclusion. As per the RBI report 2021 indicated 89.3 percent of households are availing banking services in Karnataka. In this way, 12 public sector banks, 21 private sector banks, 56 regional rural banks (RRBs) and 11,178 Scheduled commercial bank and Non- scheduled commercial banks are operating in Karnataka.

Along with that, The Karnataka state government has launched several initiatives to achieve financial inclusion and improve the accessibility of financial services to the marginalized sections. Some of the key initiatives are Janasevaka, Karnataka State Rural Livelihood Promotion Society (KSRLPS), Karnataka State Financial Corporation (KSFC) and Karnataka financial literacy programs. These programs provide credit, savings, budgeting, financial planning, and services to rural communities to improve their income and quality of life.

1.6: Profile of financial inclusion in Kodagu District

Kodagu district also known as Coorg, is a district in the state of Karnataka in southern India. It is located in the Western Ghats and is known for its scenic beauty, rich cultural heritage, and biodiversity. The district has an area of 4,102 square kilometers and a population of approximately 5,54,000 people (Census report-2011). Kodagu district is divided into five administrative taluks - Madikeri, Somwarpet, Virajpet, Kushalnagar, and Ponnmpete. The district headquarters is located in Madikeri, which is also the largest town in the district. It has a rich cultural heritage and is known for its unique customs and traditions. Moreover, the economy of the district is largely dependent on agriculture, with coffee being the main cash crop (Census report-2011).

The district is known for its coffee plantations and is one of the largest coffee-producing regions in India. Other major crops grown in the district include rice, pepper, cardamom, and oranges. The district is also home to several wildlife sanctuaries and national parks, such as Nagarhole National Park, Pushpagiri Wildlife Sanctuary, and Brahmagiri Wildlife Sanctuary. Overall, Kodagu district is a popular tourist destination, known for its natural beauty and cultural richness. As per the 2011 census of India, the population of Kodagu district was 5,54,519. The district had a literacy rate of 82.52 percent, with male literacy at 85.14 percent and female literacy at 79.74 percent. The district had a sex ratio of 1,027 females for every 1,000 males, which was higher than the national average of 940 females per 1,000 males. The population density of the district was 135 persons per square kilometer (Census report-2011). Kodagu district has made significant progress in financial inclusion and the efforts of the government and various institutions have helped to increase financial access and literacy among the people. In Kodagu, 69.27 percent of households availing banking services, around 12 public sector banks with 163 bank branches, 154 scheduled commercial banks, 22 private sector banks, 24 total number regional rural banks, 4 urban co-operative banks, and 3 primary co-operative agriculture and rural development banks with 1,68, 437 credit accounts, 3,98, 445 deposits and 113 total number of ATMs are available. In addition to this some of the initiatives taken in Kodagu district to promote financial inclusion such as the opening of Bank Branches, Jan Dhan Yojana, financial literacy and awareness programs, and Microfinance, etc. these initiatives help to provide financial services in unbanked areas (Kodagu Statistical Report 2021-2022).

1.7: Significance of the study

Financial inclusion helps to reduce poverty by providing access to financial services to those who are financially excluded. Access to credit, savings accounts, and other financial services can help to generate income and improve their standard of living. It can also promote economic growth by enabling individuals and businesses to access the financial resources they need to start and grow businesses, create jobs, and invest in their communities. Hence, it promotes social development by pr oviding financial assistance to build financial resilience, manage risk, and protect themselves against unforeseen events such as illness, natural disasters, or economic shocks. So, it contributes to financial stability by reducing the likelihood of financial crises and strengthening the overall resilience of the financial system with the increasing digitalization of financial services, financial inclusion has become more critical than ever before. Many individuals who are financially excluded are also digitally excluded, making it challenging for them to access financial services and participate in the digital economy. It is important to maintain gender equality by enabling women to access financial services, build financial resilience, and participate more fully in economic and social life.

1.8: Statement of the Research Problem

The concept of financial inclusion as a development objective has received tremendous attention from both global and national level policymakers in Indian context. It has gained huge popularity for more than four decades. With the intention of reaching out to the unbanked populations, the banking sector in India initiated efforts to attain financial inclusion in mid 1969 with the nationalization of 14 banks that covered the way for the speed development of the banking network. Despite the evidence of the nationalization of many Indian banks and efforts to take the banking services much closer to the people, still nearly 50 percent of the Indian population specifically the poor, weaker sections, low-income people and marginalized groups in the country could face problem of lack accessibility of basic banking services. The reasons could be attributed to either lack of awareness on their part or procedural difficulties while opening a bank account and availing of credit from formal sources. Hence, the study on financial inclusion should be done to examine the household availability, accessibility, affordability and usage of various financial services and try to find the causes of financial exclusion in society. Additionally, the present study focuses on role nationalized banks to promote financial inclusion of rural households and policy initiatives and programs.

1.9: Objectives of the study

- To study the growth and trends of financial inclusion in Kodagu District.
- To examine the role of nationalized banks to promote financial inclusion among socially excluded groups in Kodagu district.
- To find out the problems of financial inclusion in Kodagu district.
- To analyze the impact of financial inclusion on socio-economic conditions of socially excluded groups in before and after getting banking service.
- To suggest inclusive strategies to achieve financial inclusion.

1.10: Hypothesis of the study

- Financial inclusion of rural household is not significantly influenced by their personal profile.
- Higher the financial inclusion access more banking services.
- Substantial difference between socio-economic condition of rural households in pre and post accessing banking services.
- Challenges in accessing financial services are significantly influenced on financial inclusion

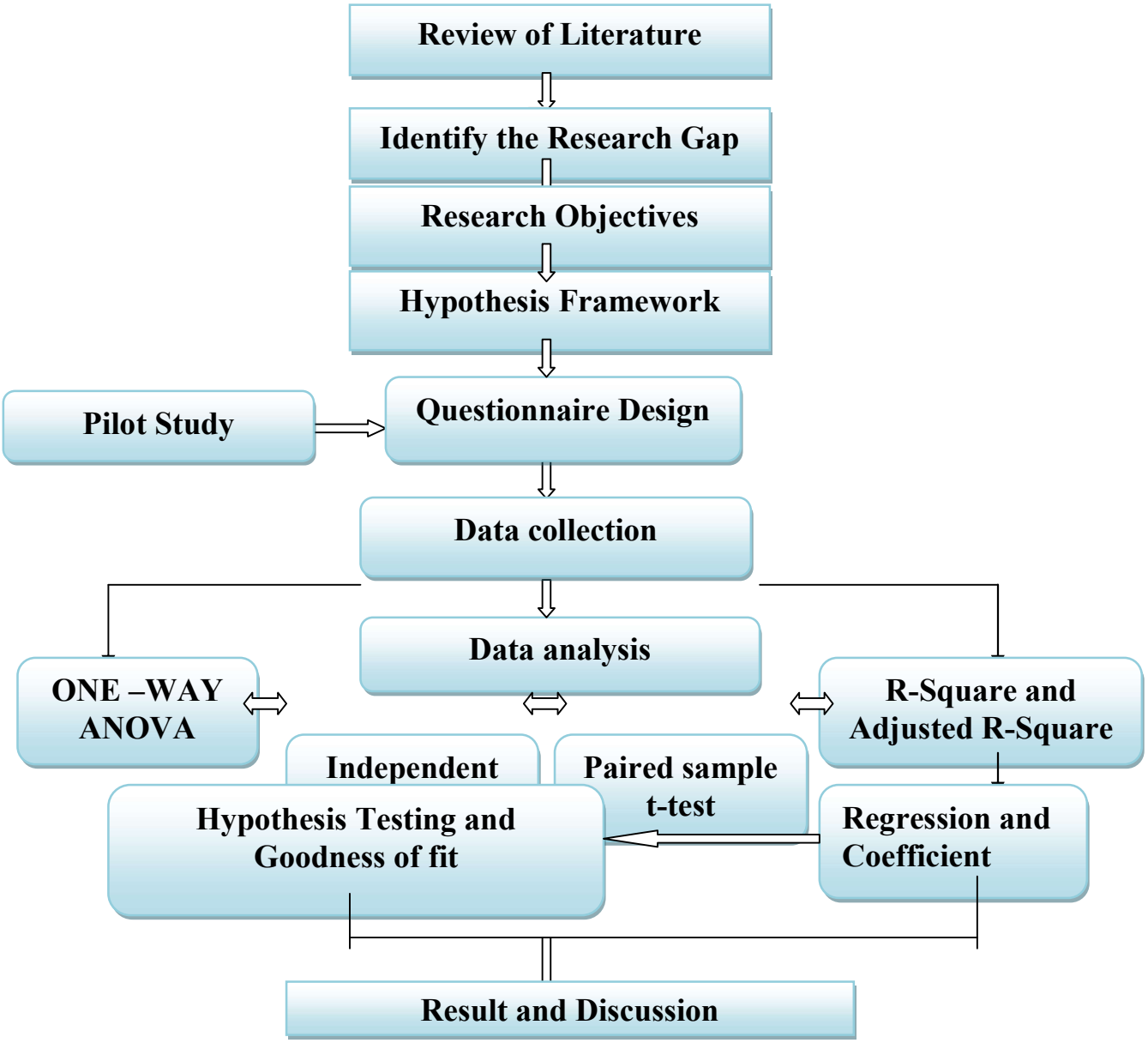
1.11: Methodology of the study

Research methodology is a method of studying systematically of the particular research problem and it is an attempt to find out the solutions for existing research problem. It is the process of doing research in a scientific manner. During the path of the research essential steps are includes such as methods of data collection, application of statistical tools and result analysis etc. It describes methods and techniques applied to achieve the stated research aims.

1.11.1: Research Design

Research design is a systematic framework for the collection of data and result analysis. The main objective is to provide a plan for the study that includes research methodologies, tools, and statistical techniques to conduct research.

Figure: 1 Research Design



1.11.2: Sampling Design

The present study used multi-stage and cluster sampling method to select primary sampling units. The sample was selected through different stages. First, the Kodagu district was selected based on rural population district in Karnataka State as per Census, 2011. The second stage five taluks such as Madikeri, Somwarpet,Virajpet, Kushalnagar and Ponnmpete were selected under that only three taluks were selected based on rural population. Currently 4,73,531 people living

in rural areas of Kodagu district out of this population 1,13,202 rural population belongs to Madikeri taluk, 1,84,450 rural population belongs to Somwarpete taluk and 1.75.879 rural population belongs to Virajpet taluk. Based on this 400 sample were selected by using TaroYamane formula.

$$n = \frac{N}{1 + N * (e)^2}$$

n = Number of Samples
N = Number of Rural Population
e = Error tolerance (Level)
$n= N/ (1+N (e)^2)$
$473531/(1+473531(0.05)^2)$
473531/(1+473531(0.0025)
473531/(1+1183.8275)
473531/1184.8275
399.94
400

.In third stage, a sample frame was designed to select villages in the selected taluks. From each taluk seven villages and totally 21 villages were selected randomly. In fourth stage, from the selected villages 400 respondents were selected from three taluks of the Kodagu district. Among these respondents 96 were from Madikeri, 156 were from Somwarpete and 148 respondents from Virajpete taluk. Hence, majority of the rural households were selected from Somwarpete because of highest number of rural households belongs to somwarpete taluk of Kodagu district.

1.11.3: Pilot Study

The pilot study conducted for pre testing of interview schedule. In this study 50 respondents were undertaken for conducting pilot study to test and refine the research methods, questionnaires, or procedures before conducting a full-scale research. The purpose of a pilot study is to enhance the quality and validity of the research and to reduce the likelihood of errors and problems in the main study. It helps to modify the research approach before conducting research.

1.12: Source of Data Collection

a) Primary Data: Primary data was collected through interview schedule by using structured questionnaire in rural areas of Kodagu district. This data is related to basic information of financial services such as availability and usage of banking services, socio-economic conditions of rural households and demand and supply side challenges to availing banking services etc. This information is collected from small farmers, marginal farmers, landless laborers rural entrepreneurs, rural women, estate workers, self-employed small vendors, unorganized sector enterprises, SC/ST and other communities.,

b) Secondary Data: The secondary data was collected from District statistical office, Kodagu at a glance, Annual reports of nationalized banks, Karnataka at a glance, Annual report of RBI, Ministry of Finance, and Government of India published and unpublished research journals, Surveys, reports of financial institutions, reports of world bank, reports of international monetary fund, District Hand Book of Statistics, Magazines, Newspapers, Textbooks, Articles and websites.

1.13: Statistical tools and techniques for data analysis

The following statistical techniques are used to analyze the data. Firstly, Percentage method is used to measure demographic variables of the respondents. Secondly, Mean and standard deviation were employed in descriptive analysis to measure availability, accessibility and utilization of banking variable like accounts, loans, savings, insurance and others. Thirdly, Maximum and minimum values were used to identify socio-economic conditions of rural households. Fourthly, statistical tools were applied to testing of hypothesis namely one way analysis of variance (ANOVA) used to compare mean value of demographic variables with financial inclusion, independent sample t-test were used to analyze the mean comparison of two independent groups, F-test is used for identify level of significance, Paired sample t-test were applied to know the difference between socio-economic conditions of rural households in before and after availing banking services. R-Square and Adjusted R-Square were used to identify the relationship between awareness level and financial inclusion. Regression model was applied to showed relationship between dependent and independent variables and Coefficient correlation were used to analyze the effectiveness of financial inclusion programs on rural households and Statistical package for social science (SPSS) software was used for analyzing the data.

2. Review of Literature

The review of literature is the backbone of the research. This helps to understand the different dimensions of financial inclusion, various methodological issues, and conceptual frameworks. The available literature mainly discussed the role of the banks in promoting financial inclusion and how financial inclusion impact on socio-economic conditions of rural people and what are the challenges involved in the process of financial inclusion. Based on the review of literature can be classified into four divisions. Namely:

- Studies on financial inclusion in Indian perspective.
- Studies on banking initiatives for financial inclusion.
- Studies on financial inclusion and socio-economic development.
- Studies on challenges of financial inclusion.

2.1: Studies on financial inclusion in Indian perspective

Paramasivan and Selvam (2013) discussed financial inclusion and its impact on Dalit entrepreneurs in Tamilnadu Industrial Investment Corporation Limited (TIIC). This study reveals that loans and subsidy received by the Dalit entrepreneurs to full filled their socio-economic requirements. Also suggested that extending financial assistance through Tamilnadu Industrial Investment Corporation Limited (TIIC) it helps to start new business and concluded that Dalit entrepreneurs were not much aware of financial services so that TIIC has taken more efforts to create awareness among dalit entrepreneurs. **Priyanka *et, al.* (2014)** were measured the demand and supply side of financial service through savings, credit, insurance, payments, and remittance in Indore districts by studying 2000 respondents from 49 villages. It found that significance changes in education, income, and occupation after availing of banking services but many of the respondents are facing problems in utilizing banking services like credit cards, internet banking, and insurance.

Aijaz (2014) has explained that availability and usage of banking services. The following indicators were used to measures financial inclusion. a) Account at a formal institution, b) Account used to receive wages and government payments, c) Number of savings and loans in the past year, d) Loan from family or friends in the past year, e) Number of Debit and Credit card. The data reveals that many of the commercial banks and RRBs have provided 74.4% of the loans to the bigger farmers but only 9.9% of the loans given to small and marginal farmers. Also found financial services are becoming urban-oriented and urban people more benefited than rural people.

Vinayak and Someshwar (2016) evaluated the availability and awareness of financial services in the rural area of the Marathwada region. To measure financial inclusion they used financial inclusion index (FII). The result of the study revealed that financial exclusion is higher among scheduled castes (SCs) and scheduled tribes (STs) and also farm households. To overcome this problem it suggested that government should focused on improving the socio-economic conditions of people in underdeveloped region.

2.2: Studies on banking initiatives for financial inclusion

NABARD (2008) evaluated that financial services like, no-frills saving accounts, Business Correspondent (BC) and Business Facilitator (BF) models, bank alliances with the post office system, and other initiatives like mobile banking, Kisan credit cards, and general credit cards, etc, which have a positive impact on society. The committee on Financial Inclusion set a goal to provide access to comprehensive financial services to at least 50 percent of the excluded rural households by 2012. Also, explain the effort of RBI to bridge the gap between financial inclusion and exclusion through formal banking services.

Rangarajan (2008) reported the demand and supply-side issues of financial inclusion. Nearly 22.00 percent of the population is below the poverty line and they are not using basic financial services. Further, the data show that poorer sections of the society have not able to access adequately financial services from the organized financial system. So that, having a bank account becomes very important aspect of financial inclusion. Therefore, he recommended that the credit delivery system of the banks and other related institutions should be modified to meet the credit requirements of marginal and sub-marginal farmers in the rural area.

Khan (2009) pointed that financial inclusion is improved the economic status and standard of living conditions of the poor. Also the multiplier effect in the economy leads to higher disposable income, savings, and deposit of the rural households as well as greater involvement by different segments of the society in the formal financial sector. Further, it ensured the positive externality by making monetary policy transmission more effective and observed the innovative technologies in the banking sector reduced costs as well as increased the overall efficiency of the economy through efficient functioning of the financial markets.

Chakrabarty (2011) has explained the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups. It is a road map toward becoming a global player. Accessibility of financial services attract the global market. Also stated that financial inclusion is a sources of employment and it encourages the socio-economic development of poor people in India.

Mahendra Mishra (2012) examined the trends and progress of the financial inclusion programs especially No Frills account scheme, BC model scheme and the viability issues of these financial inclusion programs. He studied the recent initiatives taken by the RBI to include more number of people into the banking fold. And also studied the problems associated with the implementation of financial inclusion programs and suggested to measures to overcome them.

2.3: Studies on socio-economic condition and financial inclusion

Kameshwar *et al., (*2014) discuss the role of financial inclusion in the following three stages. The first stage (1960-1990), focused on the channeling of credit to the weaker sections of the society, and the second stage (1990-2005) explained the initiatives taken by the financial institutions to strengthen the financial sector. In the third stage (2005-2015), the Government of India ensuring safety to the savings deposits and introduced a No-frills account. It measured through Financial Inclusion Index and it was based on three dimensions such as 1) Banking penetration 2) Availability and 3) Usage of the Banking services.

Bhushanand Sandeep (2015) analyzed the trends and progress of financial inclusion compared to other countries. The result of this study found that India ranks in third place with (35.68%) bank branches and 5th place in ATMs with (38.96%) among the 10 countries. It measures the financial inclusion by using the following indicators like 1) number of commercial bank branches per 1000km 2) number of ATMs per 1,000 km 3) Household deposit accounts with commercial banks per 1,000 adults, 4) Loan accounts with commercial banks per 1,000 adults, 5) the number of Basic Saving Bank Deposit (BSBD) account and concluded that urban people are getting more banking services than rural people. as well revealed that out of 24.67 billion people, only 14.48 billion people receive formal banking services and 24.3 percent of the households in urban and 18.3 percent of the households in rural are using banking services.

Yadav *et. al,* (2016) explained the impact of financial inclusion on the socio-economic development of rural households. Also, discussed the recent schemes such as 1) MUDRA Yojana, 2) Pradhan Mantri Jan DhanYojana, 3) Sukanya Samriddhi Yojana, 4) Business Facilitators and

Correspondents, 5) Know Your Customer (KYC), 6) Kisan Credit Card and 6) Atal pension scheme. Further, recognized that small and marginal farmers, women, unorganized sector workers are largely extended in rural areas due to the absence of proper banking services and they dependent on moneylenders with a high rate of interest.

Byram Anand (2019) investigated the correlation between financial inclusion and socio-economic status of tribal households. The following indicators to identify the determinants of financial inclusion namely, access to financial institution account, use of bank accounts, savings, insurance, payment, and remittance. The result of the study confirm that tribal households were aware of various account, credits, deposit and internet banking but service providers must take some initiative to improve the awareness level of the households.

2.4: Studies on challenges of financial inclusion

Richa Aggarwal (2014) identified that challenges and opportunities of financial inclusion in India. It found that poor people in the urban area are not fully utilize the financial services because they feel the banking services are only used by the rich class and many of the people initially opened bank accounts to access financial services but later deactivate their account also Lack of basic education and low-level income avoids the formal banking services in rural.

Jayasree (2016) discussed the current initiatives and challenges of financial inclusion programs in India. The following challenges were involved in the process of financial inclusion as demand-side barriers include lack of financial literacy, lack of awareness of financial services and products, social exclusion, and the fact that certain products being currently offered are not suitable for the poor and supply-side barriers are the issues with high transaction costs, lack of communication, lack infrastructure, Absence of appropriate technology.

Akhil damodaran (2016) explained the "Issues and challenges of financial inclusion in India". It found the determinants of financial exclusion A) Financial exclusion from the demand side - lack of awareness, low income of the individuals, poverty and financial illiteracy among the people B) Financial exclusion from the supply side - long distance from banks to the residence, poor infrastructure, difficulty in the documentation procedures, unsuitable products, and staff attitudes.

2.5: Research Gap

By reviewing the literature, financial inclusion is an important step towards inclusive growth of underprivileged and weaker sections of the society. It helps to the overall economic development of the country. The Reserve Bank of India and the Government of India have taken more initiatives from the nationalization banks in 1969 to achieve the goal of financial inclusion and recent initiatives of the banks are more effective to overcome the problem of accessibility of banking services. But still, nearly 50 percent of the rural population particularly the poor, small farmers, marginalized groups are excluded from banking services. Hence, the study on financial inclusion must be needed to examine the role of nationalized banks in promoting financial inclusion and its impact on the socio-economic conditions of rural households.

The existing review of the literature found that many of the studies are based on secondary data which have highlighted the supply side financial services like, number of bank branches, credit, deposits, subsidy, and payments of the Regional rural banks, Self Help Groups, and Micro Finance for financial inclusion but only a few studies are conducted on the demand-side of financial services based on primary data. It indicated that various conceptual studies have conducted study on the impact of financial inclusion at the macro level and other studies were related to state-wise growth of financial inclusion. Besides, very few studies indicated the relationship between financial services and socio-economic development of rural households belongs to the rural area. However, no significant study has been made to find out the impact of financial inclusion on rural households at the micro-level Kodagu in particular and Kodagu is one of the developed districts in Karnataka in terms of human development index, per capita income, and rate of literacy. But still, there is a space for the financial development of rural households in the district. Therefore, to fill this gap specific study is required. In this background, this study examines the Impact of Financial Inclusion on Socio-Economic Conditions of Rural Households: A case study of Kodagu district.

3. Profile of nationalized banks in Kodagu district

Nationalized banks can play a significant role in promoting financial inclusion by providing banking services to people who are unbanked sections in the society. Financial inclusion refers to the availability and accessibility of financial services to all members of society, including those who live in rural or remote areas and have limited access to financial services. The following initiatives are undertaken by nationalized banks to promote financial inclusion. Such as nationalized banks frequently offer low-cost or no-cost banking services,

which can make banking more accessible for people with limited financial resources. This includes services such as zero balance savings accounts, low-interest loans, and free ATM withdrawals.

Another step is relaxation on Know Your Customer (KYC) norm for opening bank accounts were relaxed for small accounts in August 2005. Thereby account holder who has been subjected to the full KYC drill would be sufficient for opening such accounts. The banks were also permitted to take any evidence as to the identity and address of the customer to their satisfaction. It has now been further relaxed to include the letters issued by the unique identification authority of India containing details of name, address, and aadhar number. In January 2006, RBI permitted banks to engage Business Facilitators (BFs) and Business Correspondents (BCs) as intermediaries for providing financial and banking services. The BC model allows banks to provide doorstep delivery services, especially cash in cash out transactions thus addressing the last mile problem. The list of eligible individuals and entities that can be engaged as BCs is being widened from time to time. With effect from September 2010, for profit companies have also been allowed to be engaged as BCs.

Banks have been advised to implement Electronic Benefit Transfer (EBT) by influencing Information Communication Technology (ICT) based banking through BC to transfer social benefits electronically to the bank account of the beneficiary and deliver government benefits to the doorstep of the beneficiary thus reducing dependence on cash and lowering transaction costs. To help the poor and the disadvantaged with access to easy credit banks have been asked to consider the introduction of a general purpose credit card facility of up to 25,000 at their rural and semi-urban branches. The objective of the scheme is to provide free credit to bank customers based on the assessment of cash flow without insistence on security, purpose, or end use of the credit. This is like revolving credit entitling the holder to withdraw up to the limit sanctioned.

Simplified branch authorization introduces to address the issue of uneven spread of bank branches, in December 2009. So that nationalized banks were permitted to freely open branches in three tiers to five tiers centers with a population of less than 50,000 under general permission, subject to reporting. Many of the nationalized banks can now open branches in rural, semi-urban band urban centers without the need to take permission from RBI in each case, subject to reporting. Further step up the opening of branches in rural areas to improve banking diffusion and financial inclusion rapidly, the need for the opening of more branches, besides the use of BCs was felt. Accordingly, banks have been mandated in the monetary policy statement to

allocate at least 25 percent of the total number of branches to be opened during a year to unbanked rural centers.

Besides, microfinance involves providing small loans and other financial services to low-income individuals and households. Microfinance institutions (MFIs) can help rural households to access credit, savings, and other financial services that can help them to invest in their businesses and improve their livelihoods. MFIs can also provide financial education and training to help rural households to manage their finances more effectively.

In addition to that, Mobile banking is a technology based solution that allows customers to access financial services using their mobile phones. This can be particularly useful for rural households, who may not have access to traditional brick-and-mortar banks. Mobile banking can provide services such as money transfers, bill payments, and access to savings accounts. Nationalized banks can promote digital banking to make banking services more accessible and convenient for people.

On the other hand Community Based Organizations (CBOs) were introduced to promote financial inclusion by providing financial education and training to use financial services such as savings and credit. CBOs can work with local communities to identify their financial needs and develop appropriate solutions. Along with that, nationalized banks can extend banking services to people in rural and remote areas, where the private sector banks may not find it feasible to operate due to a lack of infrastructure, communication facilities, etc. They can also set up banking campaigns and mobile banking vans to provide banking services to people in such areas. Nationalized banks often provide financial education programs to help people understand the importance of saving, budgeting, and managing their money effectively. This can help people make informed financial decisions and improve their financial well-being. Moreover it can play an important role in supporting small businesses by providing them with access to credit and other financial services. This can help to promote entrepreneurship and job creation, which can contribute to economic growth and development. Overall, nationalized banks can help to promote financial inclusion by expanding access to banking services, offering low-cost banking services, providing financial education and supporting small businesses. It can help to ensure that everyone has access to the financial services.

Table: 1
Taluk wise status of nationalized Banks in Kodagu

Years	Variables	Madikeri	Somwarpet	Virajpet	Total
2010-11	Agricultural Loans	10385	9826	20300	**40511**
	Other Loans	4804	5341	9933	**20078**
	Total Loans	16275	14179	31254	**61708**
	Total Deposit	8800	8576	19135	**36511**
	Total Deposit per lakh	8725	8354	19026	**36105**
	Total credit per lakh	15188	15168	30234	**60590**
2014-15	Agricultural Loans	33747	16288	225348	**275383**
	Other Loans	54108	24302	300097	**378507**
	Total Loans	876563	406904	525446	**1808913**
	Total Deposit	135428	131373	200642	**467443**
	Total Deposit per lakh	33376	36584	29156	**99116**
	Total credit per lakh	15789	268296	159094	**443179**
2019-20	Agricultural Loans	48254	24601	21088	**93943**
	Other Loans	6785	32357	26088	**65230**
	Total Loans	35039	56958	47176	**139173**
	Total Deposit	89996	68555	80020	**238571**
	Total Deposit per lakh	39035	58764	62305	**160104**
	Total credit per lakh	24327	43469	31703	**99499**
2022-23	Agricultural Loans	49035	33549	24206	**106790**
	Other Loans	12620	60542	31373	**104535**
	Total Loans	37929	24454	42061	**104444**
	Total Deposit	177325	69891	158590	**405806**
	Total Deposit per lakh	39789	59631	63207	**162627**
	Total credit per lakh	25326	45612	32803	**103741**

Source: KODAGU DISTRICT STATISTICS AT A GLANCE

4. Findings of the Study

The main findings are listed as follows:

- Taluk wise sample distribution represented that 24 percent of the rural households are belongs to Madikeri taluk, 39 percent belongs to Somwarpete taluk and 37 percent of the rural households belong to Virajpete taluk. It found that the majority of the respondents were selected from Somwarpete because of the highest number of rural households living in Somwarpete taluk.
- Regarding gender of the respondents 47.5 percent of the respondents were male and

52.5 percent of the female are interviewed. It identified that females are more than male respondents. The result found that the majority of women were involved in microfinance and self-help groups so they have aware of financial transactions.

- Study shows that age of the respondents and it observed that the majority of the respondents are in the age group between 30 to 50 years. Because, this age group households are more actively involved in loans, savings, insurance and small investments.
- Educational qualification of the respondents found that 9.50 percent of the respondents are illiterate, 46.25 percent have completed primary education, 27.00 percent are completed secondary education and 17.25 percent of the respondents are completed higher education. This study identified that majority of the rural households completed primary education.
- Category of the respondents observed that 24.00 percent are belongs to SC category, 32.00 percent of the respondents belongs to ST Category, 43.50 percent are belongs to OBC and 0.50 percent of the households belongs to General Category. It found that, majority of the respondents belongs to OBC and they are highly aware of banking services. Further, type of ration card indicated that 15.50 percent of the respondents are above poverty line (APL) and remaining 84.50 percent are below poverty line (BPL). Hence majority of the respondents have BPL cards due to their poor economic background and they are affected by natural calamities.

- Regarding bank account holders in the study area revealed that 100 percent of the respondents have bank accounts in various nationalized banks. The study found that after the implementation of Pradhan Mantri Jan Dhan Yojana every individual have opened No-frills account in different banks in this background many respondents have bank accounts for various reasons like, savings, loans, ATMs transaction, insurance, and payments, etc.
- Percentage of account holders in different nationalized banks found that 58.50 percent of the rural households have accounts in State Bank of India, 43.75 percent of them have accounts in Canara Bank and 25.50 percent hold accounts in Indian overseas

Banks. 29.0 percent of them hold an account in Bank of Baroda, 12.00 percent of them are the customer of Bank of India, 41.00 percent of the rural households have an account in Union Bank of India, and 5.00 percent of respondents have an account in Indian Bank, 4.00 percent in Punjab national bank, 7.00 percent in Bank of Maharashtra and 3.25 percent have in Central bank of India. The data found that majority of the respondents have bank accounts in the State Bank of India and Canara Bank. Because these banks have the highest number of sub-branches in the regional level.

- Result on the numbers of years having an account in nationalized banks by the rural households indicated that 12.50 percent of the respondents have bank account in from 3 year, 14.00 percent are from 5 years, 43.50 percent are from 10 years and 30.00 percent are above 10 years. It found that those who have financially good and more knowledgeable about finance they are having accounts for more than 10 years.
- Types of bank accounts show that 58.0 percent of the respondents have savings accounts, 26.25 percent have No-frills accounts or zero balance accounts were opened through Pradhan Manthri Jan Dhan Yojana. 15.75 percent are joint accounts but the respondents do not have current accounts in nationalized banks. As a result, the majority of the respondents have saving accounts and no-frills accounts because of low income and lack of awareness about other accounts.
- Regarding purpose of account opening 66.75 percent take for ATMs purpose, 72.25 percent for loan purpose, 33.25 percent are for payments, 73.0 percent are to get the benefits of government schemes, like old age pension, Janani Suraksha Yojana and 52.75 percent for deposit or withdrawal of money, 14.00 percent of the respondents are for transfer the money from one account to another accounts and majority of them said that opening an account helps to keep money safely and access of funds.
- Number of bank accounts in rural families found that 46.75 percent of the respondents have four accounts, 37.5 percent have more than five accounts, 10.75 percent are three accounts and 5.0 percent have two accounts in the family. The study observed that majority of households having more than one account to get financial assistance from the government and others.
- Frequency of visiting nationalized by rural households indicated that 34.25 percent of

the respondents visit the banks once a month, 31.5 percent are occasionally visiting, 14.75 percent of the rural households visiting quarterly, 10.25 percent are visiting once a week and remaining respondents visit 15 days/ Half yearly/ yearly once also found that majority of the respondents are members of self-help groups so they visited banks in every week/ month for saving, repayment of loans, deposits and withdrawal of money etc.

- Usage of banking services for daily transactions revealed that 67.25 percent are using ATM/Debit cards, 21.75 percent of the respondents using Online/Internet/ Mobile banking, 69.5 percent are using cash for the daily transaction and many of them are not using the credit card and checkbook. But they are using ATMs/Debit cards and cash for daily transactions.
- Number of ATM users found that 73.0 percent of the respondents are known to use ATM cards but the remaining 27.0 percent are not using ATM cards because they are unaware about banks ATMs machines are not available in rural areas. Then it revealed that 62.75 of the respondents have taken with the help of family members/Friends/Relatives, 48.75 percent of the rural households are taken from Business Correspondence and Business Facilitators (BC/BFs) and remaining 13.00 and 4.25 percent are withdrawn money from bank staffs and others. Hence, majority of the respondents aware about withdraw from ATMs including cash deposits and fund transfer.
- Regarding distance of banks shows that 39.25 percent of the respondents had convenient distance from their village to the bank and the remaining 60.75 percent of the rural households have not convent distance from their natives so it reduces the usage of banking services. Hence, Business Correspondence and Business Facilitators (BCs/BFs) play an important role in providing doorstep banking services.
- Types of loan taken from banks indicated that 72.25 percent of the respondents have preferred agricultural loans, 52.5 percent are housing loans, 48.25 percent are preferred vehicle loans, 29.50 percent are taken education loans and 18.25 percent of the respondents are proffered other loans such as gold loan, business loan etc. It found that agricultural loan got a maximum response because of subsidy, low rate interest and loan-waiver facility. Here, the nationalized bank plays an important role in providing

different types of loans for different purposes and it helps to improve the socio-economic conditions of rural households.

- Loan taken from nationalized banks shows that the majority of the respondents borrowed between 1,00,000rs - 5,00,000rs from nationalized banks which indicates 28.75 percent and 25.75 percent of the rural household took between 5,00,000-10,00,000rs, 14.5 percent are borrowed below 50,000rs from nationalized banks and 4.25 percent are taken above 10,00,000rs for start new business like self employment, dairy farming, coffee plantation, horticulture and other purposes.
- Regarding repayment of loans to the nationalized banks indicated that 100 percent of the respondents are regularly repaying. It shows that improving socio-economic conditions of rural households and people are more involved in productive and income generating work. But sometimes people face difficulty in repaying the bank loans due to insufficient income.
- Reasons for borrowing loan from nationalized banks revealed that 69.25 percent of the respondents are preferred for availability of installment payments in banks, 49.5 percent are for the low rate of interest, 38.50 percent are for easy availability of loans, and 33.25 percent of respondents preferred banks for updating new loan schemes. As a result, most of the households preferred nationalized banks because of low rate interest and installment facilities in banks.
- Study indicated that problems involved in availing loan from nationalized banks. It shows that 9.00 percent of the respondents faced the burden rate of interest, 80.75 percent are said that lengthy procedure, 72.0 percent are not aware of the availability of different loans, 37.75 percent are said that burden of installment payments and the remaining 13.75 percent have faced a problem of discrimination, lack of documents and irregular income.
- Reasons for the rejection of loan proposals by the nationalized banks. 79.75 percent said that lack of documents, 61.75 percent said that incorrect applications, 54.25 percent for low income, 49 percent said that insecurity of jobs and 1.5 percent are said that poor economic background. But most of the respondents said that lack of documents and low income is the main reason for the rejection of loans.

- Most of the respondents taken loan from informal sources. It indicated 34.50 percent were preferred friends and relatives, 52.50 percent are pledging gold, 71.25 percent are taking loans from money lenders and the remaining 32.00 percent are getting loans from landlords. This study found that nationalized banks provide loan with certain terms and conditions so it delay for sanction of loan so that majority of respondents take loans from money lenders with high rates of interest in emergency situations.
- Majority of the respondents are saving money in the form of deposit. It shows that 40.25 percent of the respondents have recurring deposits, 29.25 percent have fixed deposits and the remaining 39.25 percent have other deposits like a pigmy, small savings in SHGs etc. It found that majority of the respondents were aware about savings also they save for to face future uncertainties.
- Regarding monthly saving of the rural households indicated that 41.25 percent of the respondents save money between 500 to 1000rs, 33.75 percent are between 1000-2000rs, 14.25 percent of the rural households save money between 2000-5000rs and 10.75 percent are save between 5000-10000rs. However, it found that majority of the respondents save small amount of money because their income is less than average.
- Number of insurance holders in the study area indicated 78.25 percent of the rural households have insurance facilities and the remaining 21.75 percent are not having insurance facilities due to being unaware of this service. However, it revealed that 73.75 percent have vehicle insurance, 66.75 percent are health insurance, 58.75 percent have crop insurance, 52.75 percent of the respondents have life insurance and the remaining 14.5 percent have others like asset, travel and home insurance etc. It found that most of the rural households have the vehicle and health insurance because many of them are involved in SHGs and some selected SHGs have made compulsory health insurance policies for members.
- Participation of rural households in financial awareness campaigns found that 51.25 percent are rarely, 23.50 percent are sometimes, only 9.50 percent always participate in the financial campaigns and 15.75 percent of the rural households are not attended because of unaware of these programs. Hence, participation is an important factor to take better financial decisions and it is essential for effective management of money.

- Majority of the respondents have the facility of business correspondents and business facilitators in rural areas. It found that 75.5 percent of the respondents have BCs/BFs services and 24.5 percent are not having BCs and BFs services in their village due to long distances and they are living in hilly areas. Hence, majority of the rural households having these services and BCs and BFs are dealing an essential role in advising and counseling about banking services to rural households.
- Majority of the respondents participated in the financial awareness programs conducted by the nationalized banks. This indicated that 12.50 percent are rarely, 49.25 percent are always, 13.00 percent are sometimes and 25.25 percent are always attended the programs which helps to utilizations banking services more effectively.
- Regarding awareness of nationalized banking services indicated mean value from 2.01 to 4.65. The highest mean value represented that many of the rural households are aware of using loans, savings, ATM/debit/credit cards, loans, savings, fund transfer and the least mean value indicated unaware of using banking services like Direct Benefit Transfer (DBT) and Real Time Gross Settlement (RTGS), National Electronic Fund Transfer (NEFT) because of financial illiteracy among rural households. It found that an increase in the awareness level among rural households helps to effective utilizations of banking services.
- Awareness and utilization of financial inclusion programs by sample respondents which indicated that mean value (M) ranging from 2.23 to 4.50 and standard deviation (SD) from 0.757 to 1.366. It shows out of 10 programmes top six are got the maximum responses like Pradhan Mantri Vaya Vandana Yojana, Pradhan Mantri Jan Dhan Yojna and Sukanya Samridhi Yojana, Pradhan Mantri Fasal BimaYojna, Pradhan Mantri Suraksha BimaYojna, Pradhan Mantri Jeevan Jyoti BimaYojna, and remaining four programs are got less responses like ATAL Pension Yojana, Pradhan Mantri Mudra Yojana, Swavalamban and others like Start up and stand up India, It found that majority of the respondents were aware of these programs and it helps to increase their financial strength to face uncertainties.
- Employment of the rural households in before and after getting loan from nationalized banks found that, 40.50 percent of the daily wage labour has decreased to 13.50 percent after getting loan, 28.5 percent are agricultural labour which increased 30.00 percent

after getting loan from banks, there were 8.25 percent are private employees has increased 13.00 percent after getting loan from nationalized banks. Moreover, 3.00 percent of self employment has increased to 25.25 percent after getting loan from banks, whereas, 19.75 percent are other employees and it increased to 18.25 percent. It found that majority of the households involves in other occupation like auto drivers, building contractor, owner of petty shops and timber contractor etc and most of the rural people were doing agriculture and self employment activities. It helps to improve the economic conditions of rural households.

- Monthly income of the respondents found that majority of the landless laborers, small farmers and unorganized workers are getting low income in before availing loans due to being unaware of banking services and the respondent income increased after getting banking services and monthly consumption expenditure increased from low to high due to increase in income of the respondents. It identified that the percentage of thatched and sheet houses has converted to RCC house in after getting loans from the nationalized banks. On the other hand, the majority of the respondents were doing as daily wage workers before and after getting loans from nationalized banks many of them were involved in agriculture and self-employment activities which help to improve their socioeconomic conditions in rural households in the study area.
- Present study identified increased agriculture activity in the study area after getting the loan from nationalized banks. Also, data recognized that after getting financial services changing the food crop into commercial and plantation has increased in the study area. Majority of the agricultural laborers are purchased more agricultures materials than before and also involved in other occupations to raise their income for the family.
- Social status revealed that mean value increased from 2.5315 to 4.3665 and Standard Deviation (SD) decreased from .65090 to .41134. It indicated that out five variables three are got maximum response like maintain good public relations, decision making and self-confidence of the rural households has improved than before but remaining two variables are above average. Therefore, after getting loan from nationalized banks social status of the rural households has changed. It indicated that, all the five variables got maximum response in after availing loan from banks. Consequently, majority of the rural households are agreed to social status has increased after getting loan from

nationalized banks.

- Health status of the respondents was measured through birth and death rates, life expectancy, Maternal and children health, accessibility of health services, awareness of nutrition food, clinical/medical services and health insurance. It revealed that mean value increased from 2.6463 to 4.1563 and standard deviation decreased from .57940 to .42549. So that all the variables of the health status were above average and health condition of the respondents has better after availing financial services.
- Educational status of the rural households was measured by using four variables such as SSLC level education, professional educations, dropout student ratio and money for higher education. It showed that mean value has increased from 2.3478 to 4.3525 and standard deviation decreased from .88457 to .48935. It indicated that out four variables three variables are below average and one is above average in before getting loan. While, after getting the loan three variables were strongly agreed except one variable. Consequently, majority of the respondents were taken educational loan for higher education. Therefore educational status has improved after availing loan from nationalized banks.
- Financial status of the respondents has determined by knowledge of banking transaction, availability of credit and liquidity ratio, effective utilization of banking resources, profitability ratio and saving rate etc. The found that mean value increased from 2.8663 to 4.5163 and standard deviation decreased from .58510 to .39816. It identified that except saving rate other four variables are below average in before but after getting loan from loan nationalized banks financial status has improved. However, after availing banking services the ratio of participation in financial literacy campaigns, profit and saving ratio, bank credit ratio has improved and it facilitated additional skills for earning more income of rural households.
- Economic status includes that income, consumption, purchasing power, investment, standard of living condition and availability of credit etc. The result shows that mean value increased from 2.8304 to 4.3296 and standard deviation decreased from .49893 to .34456. As a result, after getting financial services from nationalized banks economic conditions of rural households has increased and except one variable remaining are above average which explained that all the variables were agreed and strongly agreed by

rural households except investment capacity of rural people. It indicated that purchasing power of the respondents was raised through increased in income which helps to improved standard of living condition of households also borrowing from the money lenders has decreased. But investment capacity and buying new assets was not much improved because majority of the rural household income is below average. However, after getting loan from banks confidence of the respondents has increased by reducing unemployment rate, it helps involved more self employment in rural area.

- Employment status of the rural households evaluated by using four variables which indicated that before getting financial services from nationalized bank four variables of employment status are below average. The result shows that mean value increased from 2.1044 to 3.7305 and standard deviation decreased from .70592 to .41474. Whereas after getting financial services except one variable three are above average. The result of this data reveals that after taken loan from banks rural people are involving in self employment activities and helps to increase the earning capacity.
- Housing infrastructural status includes physical assets owned by the respondents like water, sewage, electricity, communication and transportation etc. it indicated basic facilities and services available in houses which measured by using five variables. It found that mean value increased from 3.0060 to 4.3150 and standard deviation decreased from .46916 to .41036. It shows that except two variables three variables are above average. Whereas after getting financial services all the variables are above average. Hence, indicated that housing status of the respondents was improved in after getting loan from banks because most of the households are purchased television, washing machine and refrigerators through Equated Monthly Installment (EMI).
- Regarding socio-economic conditions of rural households before and after availing of banking services were measured through seven indicators such as social, economic, education, health, financial, employment, and infrastructural status. It found that the overall mean value is 2.8663 in before and 4.5163 in after availing of nationalized banking services while comparing seven indicators. Overall it observed that except few variables remaining are improving after getting nationalized banking services.
- Study found that the following demand side challenges are faced by rural households to get banking services. Such as low income of the family, lack of documents and lack of

financial literacy were found the main challenges. Also identified that extreme poverty among people, low-income groups and people who are economically poor they do not get financial services due to strict rules and regulations followed by banks, lack of documents, high rate of interest these are the main barriers to financial inclusion.

- Data shows that supply-side challenges faced by staffs of the nationalized banks to promote financial inclusion in rural areas and the total Mean value is represent that 4.1591 it shows that financial illiteracy, Lack of credit sources, and Lack of infrastructure is the main supply-side challenges. It found that lack of accessibility can create financial problems as well lack of bank branches in areas is the main reasons for financial exclusion.

5. Suggestions of the study

- More number of bank branches should be opened in rural area of Kodagu district. It helps to utilize more banking services otherwise number of BCs and BFs should extend in unbanked or under banked areas. It helps facilitate banking services like account opening, deposit and withdrawal of funds, and other banking transactions on behalf of the bank.
- Rural households also aware about of new schemes of nationalized banks i.e., SHGs Loan for BPL card holder, housing loans to SHGs, Kayak Scheme for self-employment - Kisan Credit Card (KCC) for farmers, Short-term loan with zero per cent interest, Crop loan, and nationalized banking Services and Schemes and properly utilize the benefits of central government schemes like PMJDY, PMSBY, PMJJBY and SSY.
- Rural households should focus more on earning additional income through animal husbandry, especially cow, buffalo, sheep, chicken, goat, etc. because government provides subsidy-oriented loan to rural households. It helps to save more and reduce spending on unwanted expenses like excess of consumption expenditure.
- Promote online payment services in the remote areas to access banking services and create more awareness among the rural households on modern banking like Rupay Card, ATM, Debit Card, e-payment, EFTs, NEFT, RTGS, SMS alert, etc.
- Rural household has to change in the borrowing of emergency loan from other financial institutions, where they will be charged more interest. The borrower can prefer

nationalized banks, cooperative banks and other private banks.

- People should focus more on savings in daily pigmy collection, fixed deposit, and gold schemes and rural male people should encourage women for involving in more banking services.
- Nationalized banks should develop and implement a comprehensive national financial inclusion strategy that outlines specific goals, targets, and a roadmap for achieving greater financial inclusion.
- Financial institutions encourage to offer basic, no-frills accounts with minimal or no balance requirements and reduced fees to make banking more accessible, support microfinance institutions, and facilitate microcredit programs that offer small loans to low-income individuals and entrepreneurs
- Introduced public awareness campaigns to educate citizens about the benefits of formal financial services and the risks associated with informal or unregulated financial options.
- Simplify the process of opening bank accounts, getting loan, reduce documentation requirements, and promote the use of Aadhaar or other unique identification methods for KYC.
- Nationalized banks must use government payment programs and subsidies to encourage the use of formal financial services, such as direct cash transfers to bank accounts and promote mobile banking initiatives and expand internet and mobile network infrastructure in remote regions.
- Conduct awareness campaigns to inform people about formal financial services and banks should create awareness on various services and schemes by visiting houses and ensure that rural people open a saving account as well as fixed deposit and RD account.
- Bankers should maintain friendly relationship with the public especially with rural people and they should provide necessary advisory services for all customers who access credit to business operation. It supports or encourages to the account holders to start a self-employment.
- Banks should clearly explain the loan conditions and obstacles in delay in repayment of the loan to the borrower as well as a witness. The banks should introduce new schemes to attract new customers and satisfying the present ones.

6. Limitations of the Study

- The study is limited to three taluks of Kodagu district, Such as Madikeri, Somwarpet, and Virajpet taluks.
- The present study focused only on role of nationalized banks in promoting financial inclusion and it is not covered Post Offices, Cooperative Banks, and Regional Rural Banks.
- This study is restricted to collecting primary data from SC, ST, and socially excluded groups in rural households of Kodagu district.

7. Further research direction

The present study attempts to measure the impact of financial inclusion on the socio-economic conditions of rural households. Further study can be undertaken on impact of central and state government schemes on financial inclusion in India. Also, study can be undertaken on the initiatives of cooperative banks towards financial inclusion in India. It helps to understand the gap between rural and urban banking initiatives for financial inclusion in India. Moreover, self-help groups and micro finance are plays important role in financial inclusion so that research is also could be undertaken to know the role of self-help groups and micro finance in financial inclusion in rural area.

8. Conclusion

Financial inclusion has a significant effect on rural households socio-economic conditions. Increasing in utilization of financial services, including credit, insurance, savings accounts, and methods of payment, has an enormous effect on rural people, changing several aspects of their lives. Firstly, financial inclusion plays important role in poverty alleviation. By providing opportunity to save and borrow money at affordable rates to rural households it encourages financial inclusion and invest in income-generating activities, buying agricultural inputs, and giving education for their children. This leads to increase in household earnings and improved standards of living over time. Additionally, access to formal financial services enhances resilience to economic shocks among rural households. Insurance products, for instance, protect farmers against crop failures or livestock losses, mitigating the impact of

unforeseen events on their livelihoods. Similarly, savings and credit facilities provide a buffer during periods of income volatility, reducing the likelihood of households falling into poverty traps. Furthermore, financial inclusion fosters entrepreneurship and economic empowerment within rural communities. By facilitating access to credit for small-scale entrepreneurs and farmers, financial institutions spur business growth and innovation, creating employment opportunities and stimulating local economies. This not only enhances household incomes but also contributes to overall economic development in rural areas. Moreover, financial inclusion promotes social inclusion and gender equality by empowering women and marginalized groups. Access to financial services enables women to participate more actively in household decision-making, invest in their own enterprises, and build financial independence. This, in turn, leads to greater gender equality, improved household welfare, and stronger social cohesion within rural communities. However, it is essential to recognize that the impact of financial inclusion is not uniform across all rural households. Factors such as geographic remoteness, lack of financial literacy, and inadequate infrastructure can hinder access to financial services for some segments of the population. Addressing these barriers requires a holistic approach that combines targeted interventions, innovative technologies, and supportive policy frameworks to ensure that the benefits of financial inclusion reach all members of rural society. In conclusion, financial inclusion plays a essential role in shaping the socioeconomic landscape of rural households. By providing access to essential financial services, it empowers individuals, strengthens livelihoods, and drives inclusive growth in rural communities. As we strive to build more resilient and equitable societies, prioritizing efforts to expand financial inclusion initiatives remains essential for unlocking the full potential of rural economies and improving the well-being of millions worldwide. However, there is a positive impact of nationalized banks on the social economic conditions of the rural households in Kodagu district of Karnataka

9. Chapter Scheme

The proposed research work on **"IMPACT OF FINANCIAL INCLUSION ON SOCIO - ECONOMIC CONDITIONS OF RURAL HOUSEHOLDS: A CASE STUDY OF KODAGU DISTRICT"** this includes six chapters as follows:

Chapter 1: Introduction

This chapter is related to the introduction to the research topic and background of the study, meaning of financial inclusion, financial inclusion in India, financial inclusion in Karnataka, financial inclusion in Kodagu, Significance of the study, need for the study, statement of the research problem, objective of the study, hypothesis of the study, methodology of the study, research design, pre-testing of the questionnaires, pilot study, format of final questionnaires, sampling design, data sources, methods of data collections and statistical tools for data analysis.

Chapter 2: Review of Literature and Theoretical Framework

This chapter is concerned with the review of literature, studies on financial inclusion in Indian perspective, studies on banking initiatives to promote financial inclusion, studies on socio-economic conditions of financial inclusion, studies on challenges of financial inclusion, research gap and theoretical framework.

Chapter 3: Profile of Nationalized Banks in Kodagu District

This chapter discussed the demographic profile of the Kodagu district, role of nationalized banks in promoting financial inclusion, growth and trends nationalized banks in Kodagu district, availability, accessibility, affordability, and utilization of nationalized banking services in Kodagu, profile of the nationalized banks, initiatives of nationalized banks to achieve financial inclusion and programs of financial inclusion.

Chapter 4: Financial inclusion and Socio-Economic Conditions of Rural Households

This chapter gives an account of the data analysis on demographic profile of sample respondents, measuring level of awareness on select financial services, measuring degree of financial inclusion, results of socio-economic conditions, measuring level of awareness on programs of financial inclusion, measurement of demand side and supply side challenges of financial inclusion.

Chapter 5: An Analysis of Impact of Financial Inclusion on Excluded Groups

This chapter represents the results of hypothesis testing, One-way ANOVA and Independent sample t-test results, ANOVA results between financial inclusion and usage of banking services, Coefficients results on financial inclusion, ANOVA and Paired sample t-test result on pre and post financial inclusion and results of factor analysis.

Chapter 6: Findings, Suggestions and Conclusion

In this chapter, findings, and overall conclusion of the research have been presented. This chapter also gives an overview of the research issues. Further it discusses the findings regarding the conclusions drawn from testing of the hypothesis and policy framework for future research. Finally, the chapter concludes with a presentation of the limitations of the research and directions for the scope of further research.

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